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Emergence, Development and Resistance: The Temporary Staffing Industry in the Czech Republic

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Abstract

Temporary agency work in the Czech Republic has grown significantly since legalisation of the sector in 2004. With around 200,000 temporary agency workers, and 1,500 temporary staffing agencies by 2013, the Czech Republic represents the second largest market for temporary agency work in Central Eastern Europe, behind only Poland. This paper charts the development of the temporary staffing industry in the Czech Republic, and examines the roles of key institutions involved. The research utilises interviews to map key stakeholders across the industry to illustrate how the expansion of the industry has been both facilitated and hindered by activities of different stakeholders to form a distinct Czech variety of national temporary staffing industry. In doing so this paper provides insights into the features of the temporary staffing industry in the Czech Republic and the factors which are both driving its development and hindering its growth. The key findings in this paper illuminate a conflict in the Czech temporary staffing industry where agencies have sought to expand but face resistance from regulatory conditions and trade unions which may in turn hinder its future development.

Key Words: employment; temporary agency work; Czech Republic;

1 Introduction

The Czech Republic is a relatively new territory for the temporary staffing industry (TSI) compared to Western Europe, but represents one of the largest and most well established in Central and Eastern Europe (CEE), behind only Poland in terms of size. In 2004, along with other accession states, the Czech Republic joined the European Union (EU). As part of the accession process these countries were under pressure to liberalise their economies, and labour markets, establish more flexible forms of working – including temporary agency work (TAW) – to increase the labour market flexibility. In 2004 TAW

became legalised in the Czech Republic, after the establishment of a new Employment Act and amendments to the Labour Code. By 2013, the number of temporary staffing agencies (TSAs) had reached 1,500 with 200,000 temporary agency workers (Cielt, 2015). While some aspects of labour market change in CEE countries have been examined (Cazes and Nešporová, 2001; Riboud et al, 2002), little attempt has been made to explore the issue of TAW in CEE or the Czech Republic more specifically.

Despite significant growth of the Czech TSI it is still in its early stages of development and this is reflected in the regulatory landscape. While few restrictions are in place, financial requirements of TSAs from the state are increasing, and the welfare system is minimal. Trade unions are often strongly opposed to the use of TAW, seen as a threat to standard employment. At the same time trade associations, which would represent the interests of the TSI, while still in development, are attempting to develop a presence in the country.

This paper begins by profiling the characteristics of the TSI in the Czech Republic, examining growth in terms of both temporary staffing agencies and temporary agency workers. The Czech Republic witnessed a series of regulatory changes which allowed its initial creation and growth, followed by a series of measures which involved re-regulation of the market. A discussion of these events is then followed by an examination of the key actors and relationships in the Czech TSI including the development of partnerships between agencies and public employment services, resistance to re-regulation, trade unions responses to TAW, and the future of the TSI in an emerging market. The paper then identifies the key features of the industry highlighting how the particular institutional arrangement of the Czech national temporary staffing industry has created dynamics which may present difficulties for expansion of this sector in this national context.

2 Methodology

This paper draws on extensive research on the temporary staffing industry (TSI) from a wider comparative project which investigated the institutional context of the TSI in Europe with case studies including the UK, Germany and the Czech Republic. Data collection involved three phases. First, desk based research sought to profile the TSI and gather insights into the characteristics of the industry where reports were available. This informed the second stage, where institutions that were fundamentally important to the industry were 'mapped' in order to inform choices around stakeholders to interview (see Ferreira, forthcoming for a discussion of the institutional mapping process). This stage provided insights into institutional and governance structure for these national temporary staffing industries, 'mapping' represented a metaphor for the exercise of exploring the institutional arrangements in each national system. The third stage involved interviews within each group of identified stakeholders (see Figure 1). In total 32 interviews were conducted in the Czech Republic with representatives between September 2009 and December 2011 with a further 6 interviews in 2014 to address any changes in context.

3 Varieties of Temporary Staffing Industry

This work builds on a growing body of knowledge around the concept of national TSI introduced by Coe, Johns and Ward (2009). Drawing inspiration from literatures which have sought to consider national institutional difference including varieties of capitalism (Hall and Soskice, 2001), national business systems (Whitley, 1999), national systems of innovation (Lundvall, 1992) and social systems of production (Amable, 2000), Coe, Johns and Ward (2009) have shown how individual national institutional arrangements can lead to particular varieties of temporary staffing industries. Building on the conceptualisation of a national TSI this paper explores the national formation of TSI in the Czech Republic representing an example from a post-socialist political-economic system.

In the Czech Republic the TSI has continued to grow against a backdrop of developing regulations, resistance from unions and competition from the

informal sector. The transition from state socialist to a market based society has led to profoundly different economic systems than witnessed in Western Europe. The Czech TSI reflects both its historical context, and patterns of growth, and development resulting in a distinctive national TSI. New temporary employment forms have been introduced to combat rising unemployment that accompanied the privatisation of state owned enterprises. In addition the country faces pressures from the EU to meet new employment targets set out in the European Employment Strategies, which favoured more flexible forms of employment, including temporary agency work. The country is clearly affected by the processes of globalisation (demonstrated by the presence of many transnational companies including temporary staffing agencies), and accession to the EU which has led to more rapid processes of marketization and market based competition (Lane and Myant, 2007).

3.1 The Czech Republic labour market in transformation

The Czech Republic, formerly part of Czechoslovakia has undergone a series of profound transformations since the middle of the 20th century, from a centrally planned economy to a market oriented one. The collapse of the Soviet Union led to the installation of the first non-communist leadership of Czechoslovakia in 1990. Further changes were witness when Czechoslovakia peacefully separated into the Czech Republic and Slovakia (Musil, 1995; Pickles and Smith, 1998). Following the Velvet Revolution, most of the Central and Eastern European countries experienced a regional depression, and it took 18 years to return to GDP it has registered in 1989 (Holubec, 2010). As part of the transition from state socialism to democratic capitalism, CEE countries underwent a process of restructuring and privatisation of state-owned enterprises, and the establishment of market economies virtually from scratch (Batt, 2007).

Under socialist rule the Czech Republic experienced a system of guaranteed employment and wages that led to low unemployment and an excess of labour demand over supply (Dale, 2011). While most CEE countries experienced a rapid rise in unemployment from 1989, the Czech Republic had

significantly lower levels (Gitter and Scheuer, 1998). The Czech (and earlier Czechoslovakian) government, in co-operation with social partners followed a low wage, low unemployment strategy in the first half of the 1990s (Nešporová and Uldrichová, 1997; Keune, 2003). Increased competition and the forces of globalisation contributed to increasing unemployment rates, associated with labour market deregulation (Esping-Andersen and Regini, 2000; Mills and Blosfeld, 2005). By the late 1990s the unemployment rate had risen to 6.7%, peaking at 8.7% in 2000 as employment models moved from large state-owned companies to small and medium-sized private enterprises the Czech population no longer having guaranteed employment from the state. A limited range of contracts forms for employment developed in the Czech Republic, of which temporary agency work (TAW) became one (for a discussion of the wider developments in the Czech labour market see: Filer, Jurajda and Planovsky, 1999; Svejnar, 1999; Stenning, 2003;2005; Jurajda and Terell, 2003; Münich et al, 2005).

In 2004, along with other accession states, the Czech Republic joined the EU. As part of the rules of accession these countries were under pressure to liberalise their economies, and labour markets, establish more flexible forms of working – including temporary staffing – to increase labour market flexibility which has created a broader agenda about considering the rise of precarious work, and the impact on workers (ILO, 2012; Kalleberg, 2009; Keune, 2003). In 2004, the temporary staffing industry became legalised in the Czech Republic, after the establishment of a new Employment Act and amendments to the labour code. By 2010, the number of temporary staffing agencies had reached 215, with 70,000 temporary agency workers (ČSÚ, 2011; Ciett, 2012). There has been considerable academic research addressing the patterns of change associated with the transformation from a centrally planned to a market economy (Gross and Steinherr, 1995; Kaiser, 1996; Myant, 1996; Pickles and Smith, 1998; Vercernik and Mateju, 1999; Cazes and Nešporová, 2001; Riboud et al, 2002) little attempt has been made to explore the issues of TAW in CEE or the Czech Republic more specifically. During the transition from a planned to a market economy, new institutional and legal frameworks were created. Institution arrangements relevant for the

Czech TSI are displayed in Figure 1, reflecting both its post-socialist background, and its position as an emerging market.

FIGURE 1 HERE

4 Temporary Agency Work in the Czech Republic

By 2013 the temporary agency work penetration rate for the Czech Republic had grown to around 0.9% of all employment, considerably below the European average of 1.7% (Ciett, 2015). However, considering the temporary staffing industry (TSI) was only legalised in 2004 this demonstrates a substantial increase, and represented one of the largest temporary staffing industries in Central and Eastern Europe (CEE). Since 2004, TSAs were legally required to register for a license and submit data on an annual basis to the Ministry for Labour and Social Affairs (MLSA), although this was not necessarily completed by all agencies, and figures generated did not include these agencies operating in the informal sector.

4.1 Agencies and Workers

The Czech Republic, with 1,500 temporary staffing agencies (TSAs) in 2013 was ranked, 11th in Europe in terms of number of agencies (moving up from 15th in 2010), although remaining significantly behind the leader of the CEE countries, Poland with 4,540 agencies (Ciett, 2015). The TSI in the Czech Republic is dominated by small domestic TSAs with a relatively small number of clients and workers, often locally based, and often established because of a localised need for workers. Some transnational TSAs are present in the Czech Republic, although not as many as witnessed in the other EU countries. In 1999 six of the top 20 transnational staffing agencies were present in the country, and by 2004 this had risen to eleven, where it has remained (Coe et al., 2005, 2008; 2011). The financial crisis in 2008 prompted many agencies to focus on their existing markets rather than continue with expansion, and some transnational TSAs felt the demand was not great enough to warrant entry into the country.

For many transnational TSAs it was not the range of services provided which ensured their success in the Czech Republic, but the development of a sufficient branch network. Expansion strategies of many transnational TSAs remained more important in the Czech Republic than in other labour markets in Europe, as the industry was still in the early stages of development. TSAs have sought to establish their presence in the market, addressing labour market demands for workers, and focusing more on the higher volume, lower margin sectors, such as manufacturing. In doing so, TSAs in the Czech Republic have undertaken significant branch expansion across the country (see Table 1) as well as expansion into different sectors of the labour market. Many transnational TSAs had by 2010 established more extensive branch networks beyond the capital, Prague, where the transnational TSAs had previously been concentrated.

TABLE 1 HERE

Once a presence had been established TSAs were able to gauge where demand would be sufficient to establish a further branch. Many TSAs also expanded geographically away from the larger cities of Prague, Brno and Ostrava, into smaller urban areas such Hradec Králové or Ústí nad Labem, areas considered 'risk-free' where there was known to be enough demand, and in many cases contracts set up in advance of establishing a branch.

'We set up our branch in Plzeň because we had already set up a few contracts with local employers. One was quite a big contract for us with a factory, so it made sense for to have a base there....it's been a success - we now work with at least 20 large scale employers on a regular basis' (Domestic Agency, Interview #15).

Coe et al. (2008:1404) identified the timing modes of entry of transnational TSAs in the Czech Republic by 2005 which had developed significantly over the last decade (see Table 2).

TABLE 2 HERE

The four ideal-types of market entry for CEE countries were: *anticipatory greenfield*, where TSAs entered the market before the practice of using TAW was legalised, a method of shaping the market that showed potential for growth; *responsive greenfield*, where TSAs entered the market as they saw the presence of others as an indication of a good potential market for investment; *anticipatory acquisition*, where TSAs entered the market relatively early through acquiring small domestic firms, and develop the potential to shape its future developments; and finally *responsive acquisition*, where TSAs witnessed the early development of the TSI and began to acquire more established national TSAs in order to enter the market (Coe et al., 2008:1405). The acquisitions were seen by some TSAs as a mode of 'buying' expertise in the Czech market (Coe et al, 2008). Transnational TSAs were trying to standardise the TSI, rolling out their mode of working across the Czech Republic. However, there were a series of barriers which have prevented this from happening to the extent that has been possible in other markets: demand was often insufficient due to the financial crisis and economic downturn; inadequate knowledge of the market; and hostility to TAW as a form of employment.

While smaller domestic TSAs greatly outnumbered the transnational TSAs, examining the distribution of placements revealed that the transnational TSAs – termed by the MLSA as foreign firms – represented a significant proportion of TAW placements (ČSÚ, 2011). Therefore, the Czech TSI remains divided into transnational TSAs that sought to secure their position in an emerging market, and the local domestic TSAs who are able to exploit their local knowledge to maintain a presence in the labour market. The crucial commodity these TSAs held in common were the workers themselves.

Since legalisation in 2004, a dramatic increase in the number of temporary agency workers has taken place - between 2002 and 2008 the number

increased more than fivefold reaching 70,000 (ČSÚ, 2011)¹. To put this in perspective, this amount was reached by the UK and Germany in the late 1980s. A sharp decline was experienced in 2009, with approximately 15,000 temporary agency workers less than the previous year. However, growth soon resumed, with 70,000 reached again by 2010, displaying a very strong ability to respond to recessionary conditions. Continued growth meant the number of temporary agency workers had risen to 200,000 by 2013 (Ciett, 2015), remaining a relatively small market for the TSI in comparison to some other areas of Europe.

4.2 Regulation of temporary staffing in the Czech Republic

The Czech labour market has developed into a more flexible form than was present in the socialist era, although important rigidities, concerning dismissals procedures, the length of notice period and the generosity of severance payment, remained in place (Straková, 2007). These rigidities contributed to the high incidence of long-term unemployment and the prevalence of informal work which circumvented restrictions on employment contracts (Kowalewski and Rybinski, 2011). In 2004 the New Employment Act (Act No. 435/2004) enabled TSAs to operate in the Czech Republic, together with an amendment to the labour code to allow the use of temporary agency work contracts (Act. No. 65/1965), allowing the Czech Republic to exit the 'regulatory vacuum' with regards to temporary staffing (Ahlberg, 2008).

Prior to the act, labour market flexibility had mainly been generated through dismissal regulation, and the idea that self-employment was a source of dynamism for the labour market (Keune, 2003). Economic transition and deregulation of the labour market increased the number of employment contracts that were not full time, resulting in a wider use of fixed term contracts (but with limits on their consecutive use), but the respective share still remained below the EU average. More recent changes in the Labour code (2006) included some provisions that were important for flexicurity, including

¹ The figures from 2002-2004 are estimates based on retrospective calculations from agencies who subsequently were required to register after 2004.

provisions for vocational training, reduced tax burdens on employers and encouragement of job creation. This made the labour market more conducive for the use of temporary agency workers. But while more flexible working arrangements like TAW were emerging they were not yet well rooted practices.

4.3 Changing regulations for temporary staffing in the Czech Republic

The Czech Republic ratified the ILO Convention 181 in 2000 recognising the potential TAW had to increase labour market flexibility. The new Employment Act (No. 435/2004) of 1 October 2004 produced an amendment to the Labour code allowing the operation of TSAs. Until that point, there had been a legislative vacuum in terms of TAW in the Czech Republic, whereby the concept of assigning temporary agency workers to user enterprises did not exist legally (Ahlberg, 2008: 140). Employers could temporarily assign their own employees to another employer under the Labour Code, but the conditions under which this could occur were not clear. However, this had not stopped the development of TSAs in the Czech Republic, whereby they had either operated illegally or hired workers on a permanent contract and loan them to other firms.

In legal terms, TAW was regulated via the Labour Code and the Employment Act. According to the 2004 legislation temporary staffing agencies were required to register with the Ministry of Labour and Social Affairs (MLSA). Conditions for establishing an agency were outlined in the Act, and to obtain a license the applicant was required to be at least 23 years old, be professionally competent² and be a resident of the Czech Republic. The license could be issued for a maximum of three years (and could be renewed an unlimited number of times). Licenses could be revoked if violations of the Code were uncovered, or if it was revealed that the person the licence was issued to did not fulfil the requirements. In reality many TSAs were not

² Competency was defined as a university education and at least two years' experience in employment mediation, or a secondary education with at least five years professional experience

inspected, and those that had their licenses revoked were often able to set up another agency under a different name.

The labour code stipulates the conditions for the employment protection of temporary agency workers, who should receive equal treatment with the users' permanent employees. This brings the regulations in line with the requirements of the ILO C181 and the European Agency Workers Directive. The labour code specifically identifies 'agency employment', not recognised in previous legislation. It was established that equal treatment of agency workers would be the joint responsibility of the TSA and the client. A contract was required to establish where the TSA agreed to offer its employee to carry out temporary work, the employee agreed to carry out the work, and the client firm was required to ensure the pay and working conditions were not inferior to permanent employees carrying out equivalent work. Therefore, temporary agency workers in the Czech Republic should in theory have received equal treatment to permanent workers, although evidence from interviews suggested this was not always the case.

'Often workers aren't paid what their contract says, or sometimes these aspects were not in the contract. Obviously that is illegal but often these things are not checked. Employers want temporary workers because they are cheap, if they wanted to pay the same as a permanent worker they would hire one. Yes, they could save on social insurance and things like this, really they just want quick labour that is cheap. Temporary workers that are involved with an agency that does not have a license, this happens even more, they might not even have a proper contract, and so paid even less' (Industry Commentator, Interview #8).

Much like the UK situation with the Agency Worker Regulations (BIS, 2011), discussions surrounded how to determine what was a comparable worker, as the Employment Act did not define one, meaning various legal interpretations were possible. The Czech regulation was in keeping with European requirements, especially with respect to equal treatment, at least on paper.

The responsibility for controlling the system and monitoring compliance was shared by the labour offices (under the control of the state labour inspection office), and there was no specific TAW inspectorate (as is the case in some EU member states such as the UK). The state labour inspection office (SÚIP) had the power to give fines of up to CZK 2 million (€77,800). However, there were no clearly defined procedures for conducting checks of TSAs, or the places in which these workers were placed. The implications of this are that while the concept of equal pay exists, it is being undermined firstly by the actions of agencies who sought to disregard the regulations, and secondly by the lack of institutional infrastructure to monitor or enforce them.

There were no restrictions on the sectors in which temporary agency workers could be used, nor were there restrictions on the number of renewals or prolongations of TAW contracts. However, the maximum contract duration was one year (OECD, 2008). While there were no stipulations that temporary agency workers could not be used to cover striking workers, in many organisations collective agreements would exist which would stipulate that they could not - so in practice temporary agency workers were not used to cover strikes. In addition, individual collective agreements agreed with trade unions and employers could include details to restrict the level of TAW in particular organisations. For example, the Trade Union of Workers in Woodworking, Industry, Forestry and Water management (OS DLV), developed a collective agreement in 2007 which stipulated restrictions on numbers of temporary agency workers in a number of firms (Hála, 2008).

Collective agreements did not play a major role in the TSI in the Czech Republic, where there was a much greater emphasis on the role of self-regulation. This was best evidenced by the establishment of the trade association for the TSI, the Association of Providers of Personnel Service (APPS), founded by the four largest TSAs in 2002. By 2010 the organisation had 24 members, made up of TSAs and consulting firms. The association stated that its primary goal was to reduce and eliminate the use of unlawful practices in the Czech TSI, although its wider goal is to try and create conditions for the successful development of a stable labour market in the

Czech Republic. The APPS members are not representative of all TSAs in the Czech Republic, as the association has quite strict rules for membership regarding turnover. Membership is predominantly comprised of the larger transnational TSAs. The association undertakes some monitoring activities - predominantly checking members were adhering to equal pay and benefit requirements for their workers on a periodic basis. Members are required to adhere to a Code of Practice, similar to that outlined by Eurociett (the European trade association for the TSI).

The second trade association for the Czech TSI, the Association of Employment Agencies (APA), represents a different segment of the market - predominantly smaller domestic Czech TSAs. APA was established initially as a platform for those with an interest in temporary staffing as a platform to share experiences, expertise and insight into the labour market. When amendments were prepared for the 2004 Employment Act, APA developed as an organisation and presented its observations on the labour market to the MLSA. In 2004, APA provided its members with consulting services in order to meet the new legislative conditions and deal with increased administration costs. In 2007 APA became a member of APPS, as this organisation appeared to be more involved with addressing legislative conditions. APA continued to contribute as a member of APPS until February 2011 when it became independent again, on the grounds that APPS was not representative of the interests of all agencies. The composition of the members of both APPS and APA represent the breadth and diversity of the TSI in the Czech Republic. The two organisations continue to coordinate their efforts in responding to legislative changes or labour market conditions and pressing the importance of reducing barriers to expansion of the TSI.

In 2011 the MLSA sought to raise the conditions for obtaining a license, including increased fees and requirements for the person requesting the license. Furthermore, as of 2011, TSAs were required to have insurance against bankruptcy of users of TAW, in order to ensure the wages of temporary agency workers would be covered. This was accompanied by further regulation which stipulated that workers from outside the EU would no

longer be able to undertake TAW in the Czech Republic. These measures were taken by the MLSA to try and reduce the impact of informal 'rogue' agencies in the Czech Republic, ensure that TAWs had some level of security, and that foreign workers would not be exploited. However, these measures have been seen as quite controversial by many actors in the Czech Republic and have stirred significant debate. In an emerging market, regulation played a key role in the development and growth of the Czech TSI, yet this was just one component, as discussed in the following sections.

5 A Czech Variety of the Temporary Staffing Industry

Reforms of labour regulations were a key driver of growth for the temporary staffing industry (TSI) in the Czech Republic, providing a legal framework for the use of temporary agency workers, and providing recognition of the industry. However, beyond regulation other different actors in the Czech TSI were also instrumental in shaping the form and features of the industry.

5.1 The labour market and welfare in the Czech Republic

While skill shortages were not a phenomenon unique to the Czech Republic, the historic context for this country remained a key feature. The legacy of the transition to a market economy meant the demand for high skilled workers decreased as the economy moved towards service sector industries as state owned industries were privatised, and the large number of state run workplaces for low skilled workers were reduced (Eriksson et al., 2008). By 2009 the Czech Republic was in a better position than its other CEE neighbours; workers in the Czech Republic were perceived by employers to have a high level of education, similar to that of Germany or Switzerland (OECD, 2010b). The Czech labour force had a large proportion of highly educated workers, with 9.2% with a university degree, and 38.1% skilled blue collar workers compared to Slovakia which had only 6.8% and 19.7% respectively (OECD, 2010a). The government welcomed the presence of TSI, as a way of trying to assist people into employment.

'We now have some links between private sector agencies and our labour offices which help the unemployed. Some of the larger agencies provide different forms of training for different professions and we are keen to consider ways in which we could work together to help reduce unemployment in the area [Prague]' (Government Representative, Interview #6).

This received criticism from employers and trade unions, on the basis that the government was not supporting employers as a way to maintain employment levels in the long term, but was more concerned with short-term solutions, as explained by one trade union representative:

'The labour offices see agencies as a quick way to move unemployed people out of their way. They are not good at finding work for people anyway, if they can set up a partnership they can blame the agencies then. Really they should be establishing effective training for the Czech people, ensure there are the right courses for the people to work, and then there would be a better workforce, and no need for these agencies' (Trade union, Interview #7).

There has yet to be the cooperation experienced in other EU countries such as the UK or Germany that allowed job seekers to use TSAs in the same way they did public employment services (see Watts, 2013 for exploration of these cases). The public employment service in the Czech Republic was established in 1991 as a response to the labour market adjustments that accompanied the transition (Kuddo, 2009). The Czech government invested heavily in strategies such as job counselling, exchange of information, training, as well as more direct activities such as subsidising employers and creating jobs in the public sector (Boeri and Burda, 1996). However, there has been very little communication between the Labour offices and temporary staffing TSAs (Government Representative, Interview #6).

Kostecki and Fehérváry (1996) argued that business services, such as temporary staffing agencies provided a key force for restructuring in transition

economies and were a crucial element of the successful implementation of market reforms and to some extent this was confirmed by industry commentators:

'Because the unemployment benefits were limited, the option of temporary agency work was potentially more attractive' (Industry Commentator, Interview #8).

However the success of such market reforms cannot only be attributed to business services activities but instead to a package of activity from across the political economic system and wider competitiveness strategy of which these services formed a part (Kaufman, 2007; Klaus, 2006, EU, 2011). Despite an awareness from some stakeholders of the potential role temporary staffing agencies as a specific labour market intermediary and institution for facilitating employment transitions, the regulatory context was not as conducive.

5.2 Resistance to further re-regulation

In November 2011, a decision was announced by the Ministry for Labour and Social Affairs (MLSA) that from 2012 TSAs in the Czech Republic would no longer be able to place temporary agency workers from non-EU countries. The Ministry noted that in 2010 there were 1,500 non-EU nationals registered with staffing agencies and that this was a potential threat to employment for the Czech nationals. Considering there were 256,000 non-EU nationals living legally in the Czech Republic, this number given by the Ministry seemed very small, and was likely to be an under-estimate (Ceskapozice, 2011). This change in legislation had the potential to impact many of the larger TSAs who had contracts with the large scale manufacturers, such as Panasonic in Plzeň, as these tended be more consistent users of temporary agency workers who were not Czech nationals. Panasonic, for example, were known to have recruited many workers through a TSA from the Ukraine and other former Soviet states (SIA, 2011e).

Temporary staffing agencies believed the changes would lead to a reduction in the Czech Republic's competitiveness on the basis that there were not enough skilled workers in the country to carry out the jobs they required. The proposed amendment was in direct conflict with Article 4 of the European Agency Workers Directive on the basis that it was an unnecessary restriction on the use of TAW, and both TSAs and trade associations identified the move as a mark of discrimination (iHNed, 2011). Furthermore, in 2010 plans were announced by the MLSA to ensure more rigorous procedures for granting licenses for a TSA. This was a response to cases of unfair practices by some agencies in the Czech Republic including cases of unfair pay or working conditions, through to the enslavement of workers. Transnational and domestic agencies, trade unions and trade associations all agreed that it was necessary to fight against dubious agencies which represented a threat to the 'legitimate' temporary staffing industry.

'The greatest extent of fraud experienced in Czech Republic was in 2008, when a peak demand for foreign workers and some workers were found to be under poor conditions. Prices which these pseudo-agencies had charged different factors for the shipment of workers went through the roof. But the actually pay of the workers was very low. It was an utterly ruthless business' (Domestic Agency, Interview #15).

Some TSAs supported the move to screen agencies and ensure those granted licenses were valid, although the reaction was mixed. Transnational TSAs welcomed the change on the basis that it would not only remove some competition, but ensure they were seen as a reputable industry if the standards for obtaining a license were higher.

'The amendment would also contribute to the elimination of agencies that break the rule, or is somehow circumventing and abusing the way their clients, often foreigners' (Transnational Agency, Interview #5).

The advantage identified by transnational TSAs made the decision unpopular with domestic agencies who saw this as a threat to their existence in the labour market:

'In 2010 they [the MLSA] changed its previous interpretation of the law of practice required of applicants for permits to hire agency. Now, it is not enough to have secondary education and 5 years of experience in human resources (college or university and 2 years). Either that or at least 6 years experience in a HR Department. This just isn't realistic, we need to get the agencies started to get this level of experience. It means the big foreign companies are at an advantage' (Government Representative, Interview #6).

There were discussions about raising the costs for a license to be an agency but this was feared to favour only the larger transnational TSAs. On 1st January 2011, the Czech Parliament approved a further amendment, whereby TSAs were required to have insurance against insolvency (of both the agency and the client companies that used the temporary agency workers).

In response, TSAs voiced their concerns over this amendment, because of the costs associated. The exact costs of such an insurance policy depended on the size of the TSA. It was estimated that the largest TSAs would have policies between 1 and 5 million CZK (€44,000-220,000) while smaller TSAs would have to pay around 300,000 CZK (€13,000). Trade associations and TSAs attempted to negotiate the terms of this new legislation with the Ministry for Labour and Social Affairs (MLSA). APA, the trade association for smaller agencies in the Czech Republic, stated that:

'The absence of dialogue has led to the current form of treatment, which unfortunately brings honest agencies into a bad position rather than dealing with agencies that do not comply with, or bypass, legislation....It is absolutely shameful that the MLSA, as a state institution, act in this way, pouring oil into the fire, which itself is already blazing. It is to the detriment of honest entrepreneurs and agencies that

these costs are to be put in place. It is not feasible or necessary' (Press Release APA 22/3/2011).

The MLSA, however, strongly opposed the criticism and justified the introduction of such measures to protect workers in the event that an agency or their workplace should shut down (Euronews, 2011). Where this had occurred workers were left without wages, and many were not entitled to unemployment benefit as they had not been in work for long enough. In future, if such cases were to occur, they would receive a payment from the insurance provider (Euronews, 2011). However, no concrete examples of such cases were provided. The situation became further complicated as the law did not clearly state against what agencies were to insure, or how much they should be insured for. Furthermore, only four insurance companies were willing to offer such a product in the Czech Republic - Slavia insurance, CPP, Uniqa and Atradium.

'Throughout the European Union, there is nothing like it and it would be very difficult to create such a product. It is an extremely strange law to force all agencies to purchase insurance in a form which no insurance company is able to provide. It's as if the state forced the companies selected to provide their employees tickets to the moon, while ignoring the fact that no one can fly there. The Ministry again, instead of chasing the black employers and criminal forms of labour trafficking, its targets honest agencies' (Trade Association, Interview #12).

As of December 2011, 54 agencies with permits had failed to obtain the necessary insurance and were forced to close (Trade Association, Interview #12). The law required agencies to obtain the insurance within two months of receiving a license or this could be withdrawn. 'These are the first victims of a senseless act, no insurance, there is no market' (Trade Association, Interview #1). It is believed the application of this regulation could have a fatal impact on the TSI.

Trade associations viewed the measures as discriminatory, as the smaller Czech TSAs did not have the same level of funds to address such legislative demands as the larger transnational agencies. TSAs argued that this legislation was incompatible with how the market worked, and raised the concern that many TSAs would cease to exist, or at least exist in the legal sphere, and that more would move into the informal 'black economy' (Cesky Rozhlas, 2011). While it is unsurprising there was resistance from agencies to the introduction of new financial obligations, it is important to recognise that given the commercial nature of TSAs then it could be argued this was a necessary step to ensure agencies being established were viable businesses. However, as was voiced by the participants in this research the level of financial obligations were perhaps not established at the level that reflected the activities of a large cohort of agencies involved in the market.

5.3 Trade union responses to temporary staffing in the Czech Republic

The issue of increased monitoring for TSAs represented the one issue in which the trade unions in the Czech Republic were in agreement with the TSAs; although in general, trade unions were against the concept of temporary staffing.

There were no dedicated trade union for those placed through a TSA, and while in principle temporary agency workers could become members of trade unions of the sector they worked in, very few did so. There were very few advantages to membership of a union when TAW positions could at the maximum last one year. However, the trade unions paid great attention to the use of temporary agency workers in the labour market. OS KOVO - the biggest trade union in the Czech Republic and a member of Czech-Moravia Confederation of Trade Unions (CMKOS) - continuously monitored discriminatory practices related to TAW for its members. This was not a move to try and recruit temporary agency workers as members of the union, but rather to prevent wage dumping, and breaches of equal treatment in the Czech labour market. This was an attempt to protect its core members from

being undermined by the use of large numbers of poorly paid workers placed through TSAs.

The view of trade unions towards TAW in Czech Republic was unequivocal. Much like the situation in Germany, trade unions wanted to restrict the TSI (see Watts, 2013), as they were concerned it caused many problems in the workplace, and argued it did not in the long term make a positive contribution to the labour market, and that too much flexibility existed in the labour market, with not enough protection.

'These agencies undermine the protection and security of the workers. We fight to protect the security of our members in their jobs. If an agency brings in workers at a lower cost the employer starts to consider different options... Plus the agency workers should have a right to a permanent job, working for these agencies does not help them find one. Agency workers are not trained well enough in many of the jobs I have witnessed....in factories and warehouses. These need skilled workers who have had lots of training and are aware of the risks. Workers need to be able to go to work knowing that they have that security of pay at the end of the month. Every man should have that' (Trade Union, Interview #20).

In contrast, trade associations believed that employment regulation remained too rigid, and more flexibility was necessary to facilitate job creation. The unions strongly believed that TAW should be used as a tool for firms to use to meet peaks in demand, and that widespread use of TAW all year round was not justified - it was a tactic for reducing wage costs. Furthermore, they argued that the regulation of the TSI needed to be much stricter, and that a clear legal framework should be in place, as the Employment Act and the Labour Code were too ambiguous:

'There are some agency workers that are employed with contracts which stipulate that they are to pay the agency fees for finding them the work, this is illegal. Agency workers should not be paying any fees to

the agency, the agency should be pushing this cost on to the companies that hire them. These are agencies that have the licenses and are seen as 'good agencies' and yet they are acting illegally and exploiting what are already low paid workers' (Trade Union, Interview #20).

Another trade union argued that despite the Labour Code stipulating equal treatment, in practice client firms did not respect temporary agency workers in the same manner, and rarely exercised equal treatment. In principle temporary agency workers had the right to demand the agency ensured equal treatment. They highlighted that while in principle those placed through a TSA should receive equal wages as their permanent counterparts, in reality this was not the case. They estimated that in 2009, there were 25,000 people working in the Czech metal industry via temporary staffing agencies and receiving significantly less in wages than permanent employees, clearly a violation of the Labour Code (Trade Union, Interview #3).

5.4 Agency development in an emerging temporary staffing industry

The preference of Czech workers for full time or self-employed work over more 'flexible' forms of working, meant the motivation for undertaking TAW in the Czech Republic remains slightly different to other markets in Europe, such as the UK. Full time standard employment contract covers 95% of those employed and Czech employers made extensive use of overtime (EUFLS, 2012). For workers in the Czech Republic, a placement through a TSA was an option to be avoided. The European Labour Force Survey (EULFS) indicated that in the Czech Republic 70% of people who were engaged in temporary agency work did so as they could not find a permanent position – higher than the European average (64.2%) (EULFS, 2012). In general the share of involuntary temporary work has been higher in CEE countries than the average level observed for Western Europe.

For many Czech workers the next viable alternative to standard employment was a fixed term contract. Keune (2003) highlighted how in the Czech

Republic the type of employment was highly significant in determining one's income position in society. Those on non-standard employment contracts tended to lie in the lowest income group average. Therefore, non-standard employment was seen as a 'forced choice' when permanent or fixed contact work was unavailable. TAW, and non-standard employment contracts more generally, were often involuntary by nature, and associated with relatively lower occupation status than permanent contracts in CEE countries compared to Western Europe (Baranowska and Gebel, 2008). For TAW to experience greater growth it could be argued that shifts in attitudes to forms of employment might be needed. While some Czech workers would prefer a low paid permanent job than a higher paid agency job due to issues of security (Trade Union, Interview #30), the issue of cultural attitudes to temporary agency work in the Czech context has yet to be explored in detail and requires further investigation to assess the overall impact this has on the development of the industry.

Temporary staffing agencies, particularly those in Europe have described themselves as 'agents of the new economy' (Theodore and Peck, 2002). The TSI in the Czech Republic comprised a diverse mixture of TSAs ranging from a single individual who held a license to employ temporary agency workers, but with no branch outlet, to large multi-branch transnationals who merged with, and acquired other agencies in the market. Although regarded as the most disadvantageous non-standard employment form, many of those who undertook TAW did so because it was better than unemployment. As such the main action of TSAs in the Czech Republic is placing workers into relatively low skilled positions. The reasons behind the use of TAW still remain along the lines of having a flexible workforce to adapt to short-term fluctuations in the labour markets and to save money on workers.

'It's an administratively undemanding means of gaining employees without complicated legal acts related to the establishment and termination of employment relationships. It also results in lower costs for human resources management and companies aren't burdened with the health insurance and social security schemes or to the state

employment policy. The agency makes these payments, as they are the employer, lending their employee temporarily to a user firm' (Domestic Agency, Interview #17).

The use of TAW appeared more popular with the large (often transnational) employers such as Arcelor Mittal, Microsoft, or many of the large car manufacturing firms such as Škoda and Hyundai. These companies not only used TAW as a tool for flexibility, but alongside other forms of flexible working, such as flexible working hours, compressed work weeks, teleworking, job sharing or a combination of these. Although many of the larger TAW users accepted the benefit of TAW as a tool for flexibility, their use illustrated the insecurity experienced by many temporary agency workers. For example, in 2010 Škoda announced that when production would move from Kvasiny to Vrchlani in January 2011 a significant number of its 650 agency workers at the plant would no longer be employed, while no permanent employees would lose their jobs.

In 2010 Škoda Auto used around 1,600 temporary agency workers (3,000 prior to the financial crisis), out of a total of around 24,500. In 2011, the company announced it would only use temporary agency workers from Manpower (Manpower's largest contract in the Czech Republic), to reduce costs and time on recruiting from different TSAs (ihNEd, 2010). Škoda had previously used a range of TSAs from the areas in which its production plant was located. Manpower established a branch close to the Škoda plant once the contract was agreed (ihNEd, 2010). This example highlights that some transnational TSAs managed to negotiate sole supplier contracts; however this was not a widespread feature. In the more mature markets of the TSI, in particular the USA and the UK, there is evidence that TSAs were attempting to move into more specialised areas of the labour market, focusing on lower volume, higher margin activities such as recruitment, and HR management services. This path of close specialisation had been limited in the Czech Republic, although efforts have been made by many TSAs to diversify.

Many believed TSA were going to become more important as the market continues to change. Coe et al. (2008:1412) argued 'agencies want markets in which labour markets are rigid enough to make their business appear attractive to corporate clients, but not too relaxed to eat away at the ability of agencies to create and to capture value. What is needed is an injection of uncertainty into labour markets'. Until 2010, the TSI in the Czech Republic had been subject to relatively few regulations, which provided the initial conditions for the growth of the TSI. As new amendments to the Employment Act and Labour Code were introduced, concerns emerged that re-regulation would reduce the financial viability of running a TSA in the Czech Republic.

The labour market meanwhile was still developing and there was an increasing demand for qualified labour and more sophisticated Human Resources services. This needs to be considered in the context of increasing levels of higher education in the Czech Republic. The TSI responded accordingly and a number of small domestic agencies focused on more professional temporary staffing (and permanent recruitment services), such as R4U, a small domestic agency based in Prague, established in 2006. Their initial focus was professional recruitment, and by 2010 had already expanded in to HR consultancy services. Many of the larger transnational agencies expressed interest in expanding up the value chain, providing more specialist recruitment services but had refrained from putting resources into this, as there was not enough demand. The exception, Grafton Recruitment, had their own specialist recruitment arm - Grafton Technologies - which had established a leading position among the professional recruitment agencies by focusing on skilled candidates in technical fields. Other TSAs remained consistent with their role in the labour market, as explained by a small domestic agency:

'We have been operating since 1998 when we began to search for short-term employment for university students and later high school students and help them access the job market during the year. We also responded to the increasing demand of employers for working quickly to provide assistance without any administrative worries. Throughout

the entire existence of our services we have worked with hundreds of companies and thousands of employees. With many companies we work long term, despite all the changes that time brings' (Domestic Agency, Interview #10).

As Coe et al (2008:1410) suggested: 'agencies were clear that they had their work cut out to grow the markets for their products'. With this awareness, agencies were expanding both their geographical presence and the services they offer, albeit at a much slower pace than in other markets in Western Europe.

6 Conclusion

Through exploring the development of the temporary staffing industry in the Czech Republic this paper has demonstrated the importance of taking into account the multiple institutions which form the Czech national temporary staffing industry, comprised of the state, trade associations, trade unions, domestic and transnational agencies. It furthers the understanding of a national temporary staffing industry as introduced by Coe, Johns and Ward (2009) in this particular post-socialist context in which the industry had yet to be explored in-depth.

As Bohle and Greskovitz (2007) highlight the capitalist institutions taken for granted in much of Western Europe, such as regulation of labour markets, are still emerging in the Czech Republic, and this is particularly in the case of the TSI. Profound changes have occurred in the Czech TSI, from an initial spark for industry development in 2004 via the Employment Law, followed by Amendments to the Labour code in 2006 when TAW became legalised. Therefore, the TSI emerged from a developing regulatory space. This emergence is being shaped by interactions between key actors in the labour market, predominantly the state, TSAs and trade unions, as well as by the wider economic conditions, in the region, and globally. The government, while initially providing few restrictions on the use of TAW in the Employment Act and Labour Code, repeatedly enacted forms of re-regulation presenting

TSAAs with significant barriers to growth. These included increasing requirements to obtain a license from the MLSA to operate as an TSA, the prohibition of using non-EU workers as temporary agency workers, and the amendment which required all TSAAs to purchase insurance against insolvency of an agency or user company. These all placed extra financial pressures on TSAAs, in an already struggling labour market. Increasing financial constraints have been identified as a threat to smaller domestic agencies which do not operate on the same global scale as some of the transnational TSAAs and thus struggle to compete when such measures are in place, and in a market where presence of informal agencies complicates the market further. These developments reveal a number of features about the Czech temporary staffing system: first that while regulations were introduced in order to ensure equal pay for temporary agency workers, practices take place which seek to undermine it, second that the level of financial obligations while perhaps necessary in order to ensure development of financially viable businesses may not be set at an appropriate level given the stage of development for many of the TSAAs in the Czech republic, in turn restricting growth in a market which is still developing.

As Coe et al. (2008:1412) noted in their initial exploration of the Czech market: 'real barriers to further expansion exist, and in particular, the capacity of the agencies to move up the value chain is likely to remain limited'. There have been some efforts by TSAAs to progress into the higher margin occupations and begin to offer more employment services, but without demand across the country, this occurred predominantly in Prague, and with limited success. Many TSAAs, both domestic and transnational, still placed agency workers in low skilled positions across the country with the highest proportion of agency workers seen in the manufacturing, and office and administration sectors. Trade associations are still in development and do not yet have as much presence as their counterparts in the UK and Germany. Therefore, the role of the TSI remains as a provider of short term labour for client firms in a limited range of occupations, and as such has reduced capacity for driving labour market change.

Peck and Theodore (2007) suggest that understanding variegated capitalism should take into account moments of economic transformation and institutional restructuring, and this is paramount when considering countries undergoing post-socialist transformation. However, there should also be a consideration of the cultural backgrounds against which these transformations take place. While this paper has focused on the institutional context of a developing temporary staffing industry, further research is needed to explore the experience of temporary agency worker and the importance of cultural norms around employment, and the impact of the broader social welfare system and activities of union in the Czech context, has on the drivers to engage in, and experiences of temporary agency work.. It is an issue which considering economic institutions alone, could not be taken into account.

Significant levels of re-regulation placed increased financial obligations on many temporary staffing agencies, which in turn made it increasingly difficult for them to operate on a financial viable basis, but show signs of a market trying to find a balance of regulation that ensure effective functioning of agencies and they are financial viable components of the labour market. Evidence existed of a growing dialogue between the associations, but also with government departments, and on rare occasions the trade unions. The trade unions in the Czech Republic in most cases strongly opposed the use of TAW, viewed a threat to permanent employees. Some unions were active in highlighting TSAs in breach of regulations with respect to pay and equal treatment, while others continued campaigns against the use of TAW more generally. With such barriers, it remains unlikely the Czech TSI would grow at a rate or to the extent that was first hoped when the Employment act and amended Labour Code were introduced.

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Table 1: Branch locations for top temporary staffing agencies in the Czech Republic, 2005-2010

Agency	Origin	Year of Entry	Number of Branches			Branch Locations
			2005	2010	2015	
Manpower	USA		16	23	25	Prague (6), Brno (3), České Budějovice, Chomutov, Kladno, Rakovník, Kolín, Hradec Králové, Pardubice, Plzeň (2), Ústí nad Labem, Liberec, Olomouc, Ostrava, Písek, Jihlava, Kvasiny.
Index Noslus	Slovakia	1991	Na	18	18	Praha (2), Brno, České Budejovice, Hradec Králové, Chomutov, Jihlava, Karlovy Vary, Kladno, Kolín, Liberec, Olomouc, Ostrava, Pardubice, Plzeň, Tábor, Ústí nad Labem, Zlín.
Adecco	Switzerland	1992	20	14	16	11 cities (5 in Prague).
Trenkwalder	Austria	1993	6	13	14	Brno, České Budejovice, Hradec Králové, Jihlava, Liberec, Mladá Boleslav, Olomouc, Ostrava, Ostrov, Písek, Plzeň, Prague (2) Zlín .
Grafton	UK		na	11	14	Prague (3), Brno (2), Ostrava, Hradec Králové, Jihlava, České Budějovice, Usti nad Labem, Plzeň, Zlin, Liberec, Olomouc.
Randstad	Germany		na	8	17	Prague (2), Brno, Ostrava, Hradec Králové, Kutná Hora, Liberec, Ústí nad Labem, Pilsen, Mladá Boleslav, Humpolec (plus 6 in house branches)
Hays	UK	1998	2	2	2	Prague and Brno.
Synergie	France	1993	1	2	3	Prague (2) Brno.
Hoffman Wizard	Czech Republic	1993	1	1	1	Plzeň.
Vedior	Netherlands		4	na ¹	na	
Start People	Netherlands		5	na ²	na	Ústí nad Labem, Ostrava, Kutná Hora, Hradec Králové and Brno.

Source: Interviews, Company Websites

na – Information not available.

¹= Vedior merged with Randstad in 2008.

²= Randstad acquired Start People in 2010.

Table 2: Timing and modes of entry for transnational agencies in the Czech Republic

Date	Firm and Origin	Mode	Notes	Current brand
1991	United Services Group	Project-based	Governmental project between the Czechoslovak and Dutch Ministries of labour until 1994. Start is not independently owned.	Start
1992	Adia (Switzerland)	Greenfield	Pre-adia and Ecco merger in August 1996.	Adecco
1994	Grafton	Greenfield		Grafton
1998	Hays Personnel (UK)	Greenfield		Hays
1999	Manpower (US)	Greenfield		Manpower
1999	TMP Worldwide (US)	Acquisition	100% of Gem Personell Select acquired before Hudson spun off from TMP worldwide in 2002	Hudson
1999	Vedior (Netherlands)	Acquisition	Select acquired 80% of AYS before select was acquired by Vedior in November 1999. Now 100% owned.	Vedior
2002	Adecco (Switzerland)	Acquisition	Acquired 10% of Job pilot (Germany) with a presence in Czech Republic.	Job Pilot
2004	Monster.com (US)	Acquisition	Acquired 100% of Job Pilot (owned by Adecco) including Czech branches.	Job Pilot
2004	Staff service (Japan)	Acquisition	Undisclosed investment in Axios s.r.o.	Axios
2005	Wizard (Czech Republic)	Acquisition	I. K Hoffman – Wizard.	Hoffman Wizard
2005	Trenkwalder (Austria)	Acquisition	Acquired 2/3 of KAPPA people.	Trenkwalder
2008	Trenkwalder (Austria)	Merger	Merger with STEER an engineering specialist.	Trenkwalder
2008	Randstad (Germany)	Merger	Merger of Vedior and Randstad including Czech Presence.	Randstad
2010	Randstad (Germany)	Acquisition	Randstad acquired Start People Staffing.	Randstad

Source: Coe, Johns and Ward (2008) and Company Websites.

Figure 1 The Czech Republic Temporary Staffing Industry

